

Financial Statements

TOWN OF SPRING CITY, TENNESSEE

Year Ended June 30, 2014

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
Town of Spring City, Tennessee
Spring City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Spring City, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Spring City, Tennessee's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Spring City, Tennessee, as of June 30, 2014, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, State Street Aid Fund, and Drug Enforcement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 and the schedule of funding progress – political subdivision pension plan supplementary information on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Spring City, Tennessee's financial statements. The accompanying other supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the basic financial statements.

The schedules of investments, property taxes receivable, long-term debt requirements, and expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of investments, property taxes receivable, long-term debt requirements, and expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of utility rates and metered customers, water utility reporting worksheet, water utility performance indicators, and principal officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of Town of Spring City, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Spring City, Tennessee's internal control over financial reporting and compliance.

Mitchell Emert & Hill

March 23, 2015

Town of Spring City
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PHONE (423) 365-6441 FAX (423) 365-6002

Management's Discussion and Analysis
For the Year Ended June 30, 2014

The management of Town of Spring City, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2014. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town and the water and sewer fund, known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the Town were more than its liabilities at June 30, 2014 by \$9,535,174 (\$9,256,115 in 2013).
- The Town's net position increased by \$279,059 (\$477,391 in 2013) or 3 percent during the year ended June 30, 2014 (5 percent during 2013).
- At June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$1,562,749; a decrease of \$98,509 for the year ended June 30, 2014. At June 30, 2013 the Town's governmental funds reported combined ending fund balances of \$1,661,258; a decrease of \$82,190 for the year ended June 30, 2013. As of June 30, 2014 \$1,248,693 (\$1,268,129 in 2013) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2014 the unassigned general fund balance was \$1,248,693 (\$1,268,129 in 2013) or 54 percent (88 percent in 2013) of general fund expenditures. These unassigned fund balances demonstrate the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including budget comparisons, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may service as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include the following:

- General government
- Public safety
- Public welfare
- Solid waste management
- Streets and highways

The business-type activities of the Town include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 11 to 13 of this report.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, state street aid fund, and the drug enforcement fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 19 to 28.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary funds-enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund to account for water distribution and sewer collection.

The Town's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 29 to 34 in the basic financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors' report on the Town's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014 the Town's assets exceeded its liabilities by \$9,535,174 (\$9,256,115 in 2013).

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, water facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt.

At June 30 the Town's statement of net position consisted of the following:

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets	\$ 3,449,523	\$ 3,066,835
Capital assets, net of accumulated depreciation	<u>12,490,498</u>	<u>11,074,283</u>
TOTAL ASSETS	<u>\$ 15,940,021</u>	<u>\$ 14,141,118</u>
	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities	\$ 482,301	\$ 503,873
Noncurrent liabilities:	<u>5,560,908</u>	<u>3,991,977</u>
TOTAL LIABILITIES	6,043,209	4,495,850
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	361,640	389,153
NET POSITION		
Net investment in capital assets	6,713,559	6,797,138
Restricted	210,493	216,891
Unrestricted	<u>2,611,121</u>	<u>2,242,086</u>
TOTAL NET POSITION	<u>9,535,174</u>	<u>9,256,115</u>
	<u>\$ 15,940,021</u>	<u>\$ 14,141,118</u>

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the Town during the fiscal year ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,722,597	\$ 1,716,431
Operating grants and contributions	81,406	78,303
Capital grants and contributions	542,066	370,235
General Revenue:		
Local taxes	851,489	828,930
Intergovernmental	231,748	227,695
Miscellaneous	8,433	9,357
Investment income	<u>4,886</u>	<u>3,933</u>
	3,442,625	3,234,884

	<u>2014</u>	<u>2013</u>
EXPENSES		
General government	395,543	331,556
Public safety	583,565	508,003
Highways and streets	261,619	202,956
Solid waste management	146,716	130,761
Public welfare	214,154	136,082
Water and sewer	<u>1,561,965</u>	<u>1,448,131</u>
	<u>3,163,561</u>	<u>2,757,489</u>
INCREASE IN NET POSITION	279,059	477,391
NET POSITION AT THE BEGINNING OF THE YEAR	<u>9,256,115</u>	<u>8,778,721</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 9,535,174</u>	<u>\$ 9,256,115</u>

Governmental Activities - For the year ended June 30, 2014, governmental activities decreased the Town's net position by \$92,353 (increased by \$96,297 in 2013). The difference in the current year's results compared to the previous year is due primarily to increased capital outlays and debt service.

The Town's main sources of revenue are from property tax, local option sales tax, local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business-Type Activities - For the year ended June 30, 2014, business-type activities increased the Town's net position by \$371,415 (\$381,095 in 2013). The difference in the current year's result compared to the previous year is due primarily to the increase in capital grant proceeds.

Capital Assets

The Town's investment in capital assets as of June 30, 2014 was \$12,490,498 (\$11,074,283 in 2013) net of accumulated depreciation.

	<u>2014</u>	<u>2013</u>
Land	\$ 273,750	\$ 273,750
Construction in process	0	87,117
Operating equipment	391,405	383,791
Buildings	1,154,512	1,154,512
Plant	15,439,499	13,771,077
Vehicles	740,873	719,444
Office machinery and equipment	40,711	40,711
Infrastructure	284,531	0
Accumulated depreciation	<u>(5,834,782)</u>	<u>(5,356,118)</u>
	<u>\$ 12,490,498</u>	<u>\$ 11,074,283</u>

The major capital asset additions during the year ended June 30, 2014 were as follows:

Machinery and equipment	\$ 7,614
Vehicles	21,430
Infrastructure	284,531
Sewer system improvements	<u>1,581,305</u>
	<u>\$ 1,894,880</u>

Debt Administration

At June 30, 2014 the Town's proprietary fund had outstanding debt of \$5,097,457 (\$3,813,600 in 2013) consisting of the following:

	<u>2014</u>	<u>2013</u>
Rural Development Utilities loans	\$ 2,645,933	\$ 2,042,033
Water and sewer revenue and tax bonds	364,207	1,404,200
Revolving fund loans	0	284,820
General obligation bond	2,087,317	0
Capital outlay notes	<u>0</u>	<u>82,547</u>
Total debt-principal	<u>5,097,457</u>	<u>3,813,600</u>
Less: current portion due	<u>(166,023)</u>	<u>(250,172)</u>
Total long-term debt-principal	<u>\$ 4,931,434</u>	<u>\$ 3,563,428</u>

During the year ended June 30, 2014, the Town retired \$1,546,361 (\$197,859 in 2013) on debt of its proprietary fund.

At June 30, 2014 the Town's governmental funds had outstanding debt of \$679,472 (\$463,544 in 2013) consisting of the following:

	<u>2014</u>	<u>2013</u>
Note payable	\$ 0	\$ 463,544
General obligation bond	679,472	0
Less: current portion due	<u>(50,000)</u>	<u>(34,996)</u>
Total long-term debt-principal	<u>\$ 629,472</u>	<u>\$ 428,548</u>

During the year ended June 30, 2014, the Town retired \$508,544 (\$33,705 in 2013) on debt of its governmental funds.

Financial Analysis of the Town's Funds

As previously discussed, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance decreased by \$92,110 for the year ended June 30, 2014 (\$73,415 in 2013). The difference in the current year's result compared to the previous year is an increase in debt service and capital outlay.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund for the year ended June 30, 2014 was \$1,163,763 (\$721,825 in 2013), which is 17% (11% in 2013) of total net position of the water and sewer fund.

General Fund Budgetary Highlights

There were no changes between original budgeted revenue or expenditures and the final amended budgeted revenue or expenditures for the state street aid fund or the drug enforcement fund.

During the year ended June 30, 2014, final amended budgeted revenue increased approximately \$83,000 from the original budgeted revenue primarily due to local sales tax and donations. Final amended budgeted expenditures increased approximately \$130,000 primarily due to salaries, payroll taxes and repair and maintenance expenses. Actual revenue was less than budgeted revenue by \$99,627 primarily due to a decrease in property tax collection and donations that were not received. Actual expenditures were more than budgeted expenditures by \$731,143 primarily due to capital outlays and debt service.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2015. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2014.

Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact:

Stephania Motes, City Manager
Town of Spring City, Tennessee
P.O. Box 369
Spring City, TN 37381
Telephone 423-365-6441

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 1,234,701	\$ 1,195,270	\$ 2,429,972
Certificates of deposit	59,218	50,008	109,226
Accounts receivable, net of allowance for uncollectible accounts	0	130,220	130,220
Property taxes receivable, net of allowance for uncollectible accounts	402,086	0	402,086
Other taxes receivable	79,723	0	79,723
Due from other governments	46,597	1,010	47,607
Internal balances	307,015	(307,015)	0
Interest receivable	1,353	199	1,553
Grant receivable	0	80,553	80,553
Other receivable	0	59,637	59,637
Materials and supplies	0	50,390	50,390
Prepaid expenses	37,260	21,297	58,557
Capital assets not being depreciated	232,700	41,049	273,749
Capital assets being depreciated, net of accumulated depreciation	<u>1,613,928</u>	<u>10,602,820</u>	<u>12,216,750</u>
	<u>\$ 4,014,581</u>	<u>\$ 11,925,440</u>	<u>\$ 15,940,021</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 33,833	\$ 106,808	\$ 140,641
Accrued salaries	14,608	8,442	23,050
Interest payable	0	2,565	2,565
Sales tax payable	100,023	0	100,023
Current portion of long-term debt	50,000	166,023	216,023
Long-term debt, net of current portion	<u>629,472</u>	<u>4,931,434</u>	<u>5,560,908</u>
TOTAL LIABILITIES	827,936	5,215,273	6,043,209
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	361,640	0	361,640
NET POSITION			
Net investment in capital assets	1,167,156	5,546,403	6,713,559
Restricted:			
Drug enforcement	8,110	0	8,110
Street improvement	19,880	0	19,880
Flood repairs	181,503	0	181,503
Tourism	1,000	0	1,000
Unrestricted	<u>1,447,358</u>	<u>1,163,763</u>	<u>2,611,121</u>
TOTAL NET POSITION	<u>2,825,005</u>	<u>6,710,168</u>	<u>9,535,174</u>
	<u>\$ 4,014,581</u>	<u>\$ 11,925,440</u>	<u>\$ 15,940,021</u>

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

			Program Revenue	
	Expenses	Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 395,543	\$ 29,408	\$ 0	\$ 0
Public safety	583,565	123,083	6,044	0
Public welfare	214,154	10,386	20,055	0
Streets and highways	261,619	0	55,307	0
Solid waste management	<u>146,716</u>	<u>171,297</u>	<u>0</u>	<u>0</u>
Total governmental activities	1,601,596	334,173	81,406	0
Business-Type Activities:				
Water and sewer	<u>1,561,965</u>	<u>1,388,424</u>	<u>0</u>	<u>542,066</u>
	<u>\$ 3,163,561</u>	<u>\$ 1,722,597</u>	<u>\$ 81,406</u>	<u>\$ 542,066</u>

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (366,135)	\$ 0	\$ (366,135)
(454,438)	0	(454,438)
(183,713)	0	(183,713)
(206,312)	0	(206,312)
24,581	0	24,581
(1,186,018)	0	(1,186,018)
0	368,525	368,525
\$ (1,186,018)	\$ 368,525	\$ (817,493)

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2014

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property taxes

In-Lieu of tax payments

Local sales tax

Business taxes

Franchise taxes

Wholesale beer taxes

Intergovernmental

Investment earnings

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (1,186,018)	\$ 368,525	\$ (817,493)
352,673	0	352,673
1,209	0	1,209
428,191	0	428,191
1,315	0	1,315
11,336	0	11,336
56,765	0	56,765
231,748	0	231,748
1,994	2,891	4,886
8,433	0	8,433
<u>1,093,665</u>	<u>2,891</u>	<u>1,096,555</u>
(92,353)	371,415	279,059
<u>2,917,357</u>	<u>6,338,753</u>	<u>9,256,112</u>
<u>\$ 2,825,005</u>	<u>\$ 6,710,168</u>	<u>\$ 9,535,174</u>

TOWN OF SPRING CITY, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 1,219,698	\$ 6,893	\$ 8,110	\$ 1,234,701
Certificates of deposit	59,218	0	0	59,218
Property taxes receivable (net of allowance for uncollectible accounts of \$2,000)	402,086	0	0	402,086
Other taxes receivable	79,723	0	0	79,723
Due from other governments	37,308	9,289	0	46,597
Interest receivable	1,353	0	0	1,353
Prepaid expenses	37,260	0	0	37,260
Due from other funds	<u>307,015</u>	<u>8,282</u>	<u>0</u>	<u>315,297</u>
 TOTAL ASSETS	 <u><u>\$ 2,143,661</u></u>	 <u><u>\$ 24,464</u></u>	 <u><u>\$ 8,110</u></u>	 <u><u>\$ 2,176,235</u></u>

See the accompanying notes to the financial statements.

	General Fund	State Street Aid Fund	Drug Enforcement Fund	Totals
LIABILITIES				
Accounts payable	\$ 28,605	\$ 0	\$ 0	\$ 28,605
Accrued salaries	14,608	0	0	14,608
Sales tax payable	100,023	0	0	100,023
Due to other governments	5,229	0	0	5,229
Due to other funds	<u>8,282</u>	<u>0</u>	<u>0</u>	<u>8,282</u>
TOTAL LIABILITIES	156,747	0	0	156,747
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	452,155	4,584	0	456,738
FUND BALANCES				
Nonspendable	37,260	0	0	37,260
Restricted	182,503	19,880	8,110	210,493
Committed	50,357	0	0	50,357
Assigned	15,947	0	0	15,947
Unassigned	<u>1,248,693</u>	<u>0</u>	<u>0</u>	<u>1,248,693</u>
TOTAL FUND BALANCES	<u>1,534,759</u>	<u>19,880</u>	<u>8,110</u>	<u>1,562,749</u>
	<u>\$ 2,143,661</u>	<u>\$ 24,464</u>	<u>\$ 8,110</u>	<u>\$ 2,176,235</u>

TOWN OF SPRING CITY, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2014

Total Fund Balance - Governmental Funds	\$ 1,562,749
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	1,846,627
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	95,098
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(679,472)</u>
Net Position of Governmental Activities	<u>\$ 2,825,005</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2014

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property taxes	\$ 336,269	\$ 0	\$ 0	\$ 336,269
Interest and penalty	2,384	0	0	2,384
In-lieu of tax payments	1,209	0	0	1,209
Local sales tax	423,338	0	0	423,338
Business tax	1,261	0	0	1,261
Franchise tax	11,336	0	0	11,336
Wholesale beer tax	56,765	0	0	56,765
Intergovernmental	240,084	51,447	0	291,531
Licenses and permits	2,700	0	0	2,700
Receipts for use of facilities	25,275	0	0	25,275
Charges for services	183,082	0	0	183,082
Fines and forfeitures	122,664	0	419	123,083
Donations	21,377	0	0	21,377
Investment earnings	1,987	7	0	1,994
Miscellaneous	8,482	0	0	8,482
TOTAL REVENUE	1,438,214	51,454	419	1,490,087
EXPENDITURES				
Current:				
General government	383,279	0	0	383,279
Public safety	556,716	0	0	556,716
Public welfare	139,621	0	0	139,621
Streets and highways	173,986	58,271	0	232,257
Solid waste management	140,831	0	0	140,831
Debt service	547,287	0	0	547,287
Capital outlay	313,574	0	0	313,574
TOTAL EXPENDITURES	2,255,295	58,271	0	2,313,566

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2014

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	(817,081)	(6,817)	419	(823,479)
OTHER FINANCING SOURCES				
Note proceeds	<u>724,971</u>	<u>0</u>	<u>0</u>	<u>724,971</u>
(DEFICIENCY) EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(92,110)	(6,817)	419	(98,509)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,626,869</u>	<u>26,697</u>	<u>7,692</u>	<u>1,661,258</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,534,759</u>	<u>\$ 19,880</u>	<u>\$ 8,110</u>	<u>\$ 1,562,749</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2014

(Deficiency) of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	\$ (98,509)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	313,574
Depreciation expense	(110,697)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	508,544
Long-term debt provides current financial resources to governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities	(715,000)
Premium received on long-term debt provides current financial resources to governmental funds, but increases debt obligations for governmental activities	(9,971)
Amortization of bond premium is an expenditure in the governmental funds, but decreases debt obligations for governmental activities	499
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred tax revenue - June 30, 2013	(75,893)
Deferred tax revenue - June 30, 2014	<u>95,098</u>
Change in Net Position of Governmental Activities	<u>\$ (92,353)</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2014

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Taxes:				
Property taxes	\$ 354,555	\$ 354,555	\$ 336,269	\$ (18,286)
Interest and penalty	6,500	6,500	2,384	(4,116)
In-Lieu of tax payments	4,900	2,000	1,209	(791)
Local sales tax	390,000	425,459	423,338	(2,121)
Business tax	30,000	4,983	1,261	(3,722)
Franchise tax	11,000	11,336	11,336	0
Wholesale beer tax	<u>70,000</u>	<u>60,000</u>	<u>56,765</u>	<u>(3,235)</u>
	866,955	864,833	832,562	(32,271)
Intergovernmental:				
TVA In-Lieu of tax of payments	66,000	62,055	62,055	0
Telecommunications tax	0	0	202	202
State income tax	23,000	21,970	24,079	2,109
State gas inspection	4,100	4,055	4,055	0
State beer tax	2,500	3,795	3,804	9
State sales tax	136,000	140,535	141,168	633
Governors Highway Safety Grant	<u>4,200</u>	<u>4,200</u>	<u>4,722</u>	<u>522</u>
	235,800	236,610	240,084	3,474
Licenses and permits:				
Beer licenses	750	1,000	1,000	0
Building permits	1,000	1,470	1,470	0
Other licenses and permits	<u>0</u>	<u>230</u>	<u>230</u>	<u>0</u>
	1,750	2,700	2,700	0
Receipts for use of facilities:				
Rents and concessions	25,300	25,275	25,275	0

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Accident report charges	3,100	3,063	1,250	(1,813)
Parks and recreation	1,500	2,550	2,550	0
Library fees	4,000	9,200	7,836	(1,364)
Garbage collection fees	162,289	162,389	171,447	9,058
	<u>170,889</u>	<u>177,202</u>	<u>183,082</u>	<u>5,880</u>
 Fines and forfeitures	 123,121	 123,121	 122,664	 (457)
 Other revenue:				
Donations	17,850	96,792	21,377	(75,415)
Interest	1,530	1,905	1,987	82
Miscellaneous	11,000	9,403	8,482	(921)
	<u>30,380</u>	<u>108,100</u>	<u>31,846</u>	<u>(76,254)</u>
 TOTAL REVENUE	 1,454,195	 1,537,841	 1,438,214	 (99,627)
 EXPENDITURES				
City Manager's office:				
Salaries and wages	106,584	103,975	105,601	1,626
Payroll taxes	8,154	7,635	7,634	(1)
Health insurance	32,797	65,570	65,564	(6)
Retirement	9,571	8,175	9,685	1,510
Workers' compensation	800	800	791	(9)
Unemployment insurance	400	360	360	0
Employee training	1,920	2,990	2,978	(12)
Registration fees	750	1,140	1,336	196
Telephone	1,300	950	943	(7)
Professional services	26,400	25,611	24,903	(708)
Contractual services	25,000	32,650	27,509	(5,141)
State planning office	6,750	2,613	0	(2,613)

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
City Manager's office (continued):				
Repairs and maintenance	910	1,495	1,454	(41)
Travel	300	110	105	(5)
Insurance	31,408	38,250	38,951	701
Penalties	0	5,045	5,042	(3)
Advertising	3,000	6,295	6,291	(4)
Office supplies	3,430	5,810	5,786	(24)
	<u>259,474</u>	<u>309,474</u>	<u>304,934</u>	<u>(4,540)</u>
Board of Commissioners:				
Salaries and wages	26,300	26,300	26,297	(3)
Payroll taxes	2,050	2,050	2,011	(39)
Workers' compensation	0	0	139	139
Employee training	1,000	1,000	590	(410)
Travel	350	350	181	(169)
Professional services	50	50	0	(50)
Donations	448	448	448	0
Office supplies	600	600	677	77
Public relations	1,500	1,500	1,964	464
	<u>32,298</u>	<u>32,298</u>	<u>32,307</u>	<u>9</u>
Government buildings:				
Utilities	14,175	14,175	16,471	2,296
Telephone	6,700	6,700	7,906	1,206
Repairs and maintenance	6,900	6,900	6,900	0
Land rental	400	400	2,017	1,617
Liability insurance	800	800	800	0
Small equipment	1,000	1,000	309	(691)
Operating supplies	3,300	3,300	2,124	(1,176)
	<u>33,275</u>	<u>33,275</u>	<u>36,527</u>	<u>3,252</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
City court:				
Salaries and wages	6,400	6,400	4,704	(1,696)
Payroll taxes	887	887	360	(527)
Unemployment insurance	50	50	47	(3)
Workers' compensation	0	0	14	14
Employee training	400	400	26	(374)
Professional services	2,400	2,400	2,200	(200)
Operating supplies	4,000	4,000	1,520	(2,480)
Office supplies	753	753	638	(115)
	<u>14,890</u>	<u>14,890</u>	<u>9,510</u>	<u>(5,380)</u>
Police department:				
Salaries and wages	283,633	284,863	287,223	2,360
Payroll taxes	21,698	20,610	20,376	(234)
Health insurance	28,529	59,850	59,833	(17)
Workers' compensation	10,000	10,865	10,862	(3)
Retirement	25,470	25,515	25,510	(5)
Unemployment insurance	1,500	915	912	(3)
Employee training	1,500	1,200	1,180	(20)
Office expense	2,200	2,150	2,075	(75)
Telephone	2,700	3,625	3,612	(13)
Medical services	200	775	758	(17)
Dispatching	32,400	28,500	33,409	4,909
Repairs and maintenance	28,500	36,660	36,833	173
Travel	500	200	191	(9)
Uniforms	3,000	2,725	2,721	(4)
Operating supplies	3,100	1,185	1,172	(13)
Equipment	6,200	10,492	9,967	(525)
	<u>451,130</u>	<u>490,130</u>	<u>496,635</u>	<u>6,505</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fire department:				
Salaries and wages	10,550	10,550	6,041	(4,509)
Payroll taxes	669	669	296	(373)
Retirement	25	25	136	111
Memberships	300	300	225	(75)
Workers' compensation	1,000	1,000	610	(390)
Public relations	1,000	1,000	466	(534)
Utilities	4,400	4,400	4,275	(125)
Telephone	1,500	1,500	1,746	246
Repairs and maintenance	4,850	4,850	4,284	(566)
Small equipment	18,500	18,500	18,529	29
Professional services	7,000	7,000	21,436	14,436
Uniforms	800	800	1,231	431
Training	3,100	3,100	805	(2,295)
	<u>53,694</u>	<u>53,694</u>	<u>60,081</u>	<u>6,387</u>
Highways and streets:				
Salaries and wages	91,458	92,600	92,919	319
Payroll taxes	6,997	7,000	6,778	(222)
Health insurance	12,197	17,000	16,638	(362)
Retirement	8,213	8,300	8,267	(33)
Workers' compensation	3,400	5,000	4,991	(9)
Unemployment insurance	300	300	265	(35)
Utilities	2,200	2,500	2,112	(388)
Telephone	700	800	769	(31)
Small equipment	5,000	7,200	2,694	(4,505)
Repairs and maintenance	14,700	36,575	35,599	(976)
Operating supplies	2,600	1,525	1,176	(349)
Uniforms	1,500	1,800	1,777	(23)
	<u>149,265</u>	<u>180,600</u>	<u>173,986</u>	<u>(6,614)</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Salaries and wages	32,109	25,910	25,882	(28)
Payroll taxes	2,380	2,000	1,890	(111)
Health insurance	4,066	3,900	3,893	(7)
Retirement	2,309	2,325	2,324	(1)
Workers' compensation	250	1,000	895	(105)
Unemployment insurance	60	100	90	(10)
Public relations	2,000	6,600	6,517	(83)
Utilities	3,000	4,400	4,370	(30)
Repairs and maintenance	22,009	16,084	16,423	339
Operating supplies	7,500	5,100	4,681	(419)
Miscellaneous	2,000	5,200	4,940	(260)
	<u>77,683</u>	<u>72,619</u>	<u>71,905</u>	<u>(714)</u>
Library:				
Salaries and wages	34,834	34,834	31,853	(2,982)
Payroll taxes	2,665	2,665	2,437	(228)
Health insurance	3,995	3,995	4,162	167
Retirement	1,919	1,919	1,866	(53)
Workers' compensation	200	200	73	(127)
Unemployment insurance	257	257	201	(56)
Utilities	6,000	6,000	5,112	(888)
Telephone	1,200	1,200	2,446	1,246
Repairs and maintenance	100	100	64	(36)
Publicity	300	300	613	313
Operating supplies	6,285	6,285	11,252	4,967
Other operating supplies	0	0	4,564	4,564
Miscellaneous	500	500	1,775	1,275
Building insurance	1,300	1,300	1,300	0
	<u>59,555</u>	<u>59,555</u>	<u>67,716</u>	<u>8,161</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	Budget		Actual	Variance Over (Under)
	Original	Final		
Solid waste management:				
Salaries and wages	77,868	77,868	80,794	2,926
Payroll taxes	5,957	5,957	6,187	230
Health insurance	8,201	8,201	17,874	9,673
Retirement	6,993	6,993	7,263	270
Workers' compensation	4,500	4,500	4,876	376
Unemployment insurance	800	800	272	(528)
Professional services	5,400	5,400	5,552	152
Supplies	7,050	7,050	1,035	(6,015)
Repairs and maintenance	14,000	14,000	14,754	754
Uniforms	1,500	1,500	2,224	724
	<u>132,269</u>	<u>132,269</u>	<u>140,831</u>	<u>8,562</u>
Capital outlay:				
Fire department	0	12,000	13,000	1,000
Parks and recreation	17,000	17,000	16,044	(956)
Highways and streets	<u>79,668</u>	<u>79,668</u>	<u>284,531</u>	<u>204,863</u>
	<u>96,668</u>	<u>108,668</u>	<u>313,574</u>	<u>204,906</u>
Debt service:				
Principal	0	0	508,544	508,544
Interest	33,600	36,680	17,591	(19,089)
Debt issuance costs	<u>0</u>	<u>0</u>	<u>21,153</u>	<u>21,153</u>
	<u>33,600</u>	<u>36,680</u>	<u>547,287</u>	<u>510,607</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
TOTAL EXPENDITURES	<u>1,393,801</u>	<u>1,524,152</u>	<u>2,255,294</u>	<u>731,142</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	60,394	13,689	(817,081)	(830,770)
OTHER FINANCING SOURCES				
Note proceeds	<u>0</u>	<u>0</u>	<u>724,971</u>	<u>724,971</u>
EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	60,394	13,689	(92,110)	(105,799)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,626,869</u>	<u>1,626,869</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 60,394</u>	<u>\$ 13,689</u>	<u>\$ 1,534,759</u>	<u>\$ 1,521,070</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Intergovernmental	\$ 47,370	\$ 47,370	\$ 51,447	\$ 4,077
Interest	<u>30</u>	<u>30</u>	<u>7</u>	<u>(23)</u>
TOTAL REVENUE	47,400	47,400	51,454	4,054
EXPENDITURES				
Roads and streets	14,000	14,000	25,827	11,827
Utilities	<u>33,000</u>	<u>33,000</u>	<u>32,444</u>	<u>(556)</u>
TOTAL EXPENDITURES	<u>47,000</u>	<u>47,000</u>	<u>58,271</u>	<u>11,271</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	400	400	(6,817)	(7,217)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>26,697</u>	<u>26,697</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 19,880</u>	<u>\$ 19,480</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG ENFORCEMENT FUND**

Year Ended June 30, 2014

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 2,150	\$ 2,150	\$ 419	\$ (1,731)
EXPENDITURES	<u>2,150</u>	<u>2,150</u>	<u>0</u>	<u>(2,150)</u>
EXCESS OF REVENUE OVER EXPENDITURES	0	0	419	419
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>7,692</u>	<u>7,692</u>
FUND BALANCE AT THE END OF THE YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 8,110</u></u>	<u><u>\$ 8,110</u></u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2014

ASSETS

CURRENT ASSETS

Cash		\$ 1,195,270
Certificates of deposit		50,008
Accounts receivable, net of allowance for uncollectible accounts of \$2,000		130,220
Grant receivable		80,553
Other receivables		60,847
Prepaid insurance		21,297
Materials and supplies		<u>50,390</u>

TOTAL CURRENT ASSETS 1,588,585

CAPITAL ASSETS

Land	\$ 41,049	
Equipment	111,664	
Office furniture and equipment	19,659	
Utility plant	<u>15,439,499</u>	
	15,611,871	
Accumulated depreciation	<u>(4,968,001)</u>	<u>10,643,870</u>
		<u>\$ 12,232,455</u>

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION**CURRENT LIABILITIES**

Accounts payable	\$	106,808
Accrued salaries		8,442
Accrued interest		2,565
Due to other funds		307,015
Current portion of long-term debt		<u>166,023</u>

TOTAL CURRENT LIABILITIES 590,851

**LONG-TERM DEBT,
net of current portion**

4,931,434

TOTAL LIABILITIES 5,522,287

NET POSITION

Net investment in capital assets	\$	5,546,403
Unrestricted		<u>1,163,763</u>

6,710,167

\$ 12,232,455

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

Year Ended June 30, 2014

OPERATING REVENUE

Charges for services	\$ 1,385,793
Other operating revenue	<u>2,631</u>

TOTAL OPERATING REVENUE 1,388,424

OPERATING EXPENSES

Water purification:

Salaries	\$ 86,445	
Payroll taxes	6,581	
Hospital and health insurance	12,891	
Retirement	6,454	
Workers' compensation	3,613	
Unemployment insurance	254	
Utilities	33,387	
Telephone	1,776	
Professional services	37,857	
Advertising	1,141	
Repairs and maintenance	24,005	
Chemicals	19,437	
Operating supplies	1,121	
Liability and property insurance	17,980	
Clothing and uniforms	<u>809</u>	253,752

Water transmission and collection:

Salaries	78,727	
Payroll taxes	6,043	
Hospital and health insurance	19,723	
Retirement	7,046	
Workers' compensation	4,552	
Unemployment insurance	380	
Repairs and maintenance	80,902	
Utilities	3,816	
Operating supplies	12,326	
Clothing and uniforms	1,997	
Professional services	<u>2,221</u>	217,733

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

WATER AND SEWER FUND

(continued)

Year Ended June 30, 2014

Sewer treatment and disposal:

Salaries	69,854	
Payroll taxes	5,380	
Hospital and health insurance	11,389	
Retirement	6,200	
Workers' compensation	2,170	
Unemployment insurance	180	
Utilities	42,135	
Telephone	5,950	
Professional services	33,456	
Repairs and maintenance	32,265	
Chemicals	45,331	
Operating supplies	8,577	
Clothing and uniforms	1,166	
Training and travel	2,783	
Liability and property insurance	14,711	
Maintenance fee	<u>13,739</u>	295,285

Sewer rehabilitation:

Salaries	53,572	
Payroll taxes	4,032	
Hospital and health insurance	5,684	
Retirement	2,308	
Workers' compensation	2,308	
Unemployment insurance	255	
Repairs and maintenance	27,178	
Operating supplies	1,733	
Clothing and uniforms	<u>1,298</u>	98,368

General and administration:

Salaries	26,527	
Payroll taxes	2,088	
Hospital and health insurance	4,901	
Retirement	2,380	
Unemployment insurance	90	
Workers' compensation	59	

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

WATER AND SEWER FUND

(continued)

Year Ended June 30, 2014

General and administration (continued):		
Training	621	
Fees	5,280	
Operating supplies	612	
Postage	2,863	
Office supplies	2,581	
Professional services	<u>39,750</u>	87,751
Depreciation		<u>367,967</u>
TOTAL OPERATING EXPENSES		<u>1,320,856</u>
INCOME FROM OPERATIONS		67,567
NONOPERATING REVENUE(EXPENSE)		
Interest income	2,891	
Debt issuance cost	(64,037)	
Interest expense	<u>(177,073)</u>	<u>(238,218)</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS		(170,651)
CAPITAL CONTRIBUTIONS		<u>542,066</u>
CHANGE IN NET POSITION		371,414
NET POSITION AT THE BEGINNING OF THE YEAR		<u>6,338,753</u>
NET POSITION AT THE END OF THE YEAR		<u><u>\$ 6,710,167</u></u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2014

**CASH PROVIDED(USED) BY
OPERATING ACTIVITIES**

Cash received from customers	\$ 1,390,677
Cash paid to suppliers	(560,488)
Cash paid to employees	<u>(339,249)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

490,940

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (1,581,304)
Proceeds received from issuance of long-term debt	2,831,755
Capital contribution	542,066
Principal payments on long-term debt	(1,546,361)
Debt issuance costs	(64,037)
Interest paid on debt	<u>(178,618)</u>

**NET CASH PROVIDED BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

3,501

**CASH PROVIDED(USED) BY
INVESTING ACTIVITIES**

Interest received	<u>2,891</u>
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NET INCREASE IN CASH

497,334

**CASH AND CASH EQUIVALENTS
AT THE BEGINNING OF THE YEAR**

697,934

**CASH AND CASH EQUIVALENTS
AT THE END OF THE YEAR**

\$ 1,195,270

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF CASH FLOWS

WATER AND SEWER FUND

(continued)

Year Ended June 30, 2014

**RECONCILIATION OF INCOME
FROM OPERATIONS TO NET CASH
PROVIDED(USED) BY OPERATING ACTIVITIES**

Income from operations		\$	67,567
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	\$	367,967	
(Increase)decrease in:			
Accounts receivable		2,253	
Grant receivable		(60,318)	
Other receivables		(59,638)	
Materials and supplies		(16,374)	
Prepaid insurance		(21,297)	
Increase in:			
Accounts payable		22,541	
Accrued salaries		2,166	
Due to other funds		186,074	
			<u>423,373</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			<u>\$ 490,940</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE A - DESCRIPTION OF ORGANIZATION

Town of Spring City, Tennessee (the Town) was incorporated under Chapter 41 of the Private Acts of 1917, as amended by Chapter 6 of Tennessee Code Annotated in 1980. The Town operates under the City Manager - Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, water and sewer utilities, public library, culture and recreation, and general administrative services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operations of Town of Spring City, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2014 and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the Town is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Rhea County Chancery Court for collection.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *state street aid fund* is used to account for the Town's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the Town's boundaries.

The *drug enforcement fund* is used to account for costs associated with drug investigation and control and officers' training.

The Town reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2014.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounts for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses, and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary funds is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Town's water and sewer function, and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Net investment in capital assets at June 30, 2014 has been calculated as follows:

Governmental activities:

Capital assets	\$ 2,713,409
Accumulated depreciation	(866,781)
Principal balance on long-term debt	<u>(679,472)</u>
	<u>\$ 1,167,156</u>

Business-Type activities:

Water and Sewer Fund:

Capital assets	\$ 15,611,871
Accumulated depreciation	(4,968,001)
Principal balance on long-term debt	<u>(5,097,457)</u>
	<u>\$ 5,546,403</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net position of the drug enforcement fund is classified as restricted net position because its use is limited to drug enforcement. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. A portion of the net position of the general fund is restricted for cleaning the Piney Creek area and for promoting tourism. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Commissioners commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The Town would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Board of Commissioners is required to adopt, by ordinance, total budget appropriations by line item for all funds. The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Board of Commissioners. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Materials and Supplies

Materials and supplies of the proprietary fund are valued at the lower of cost (determined on a first-in, first-out basis) or market. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

Town employees are granted vacation and sick leave in varying amounts based on years of employment, and may accumulate a maximum of one year's vacation leave and 720 hours sick leave. In the event of termination, the employee is paid for any unused vacation leave. The Town's policies do not provide for an employee to be paid for any unused sick leave in the event of termination.

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation leave of the proprietary fund is recorded as an expense and liability of the fund as the benefits accrue to the employees. No liability is recorded for accumulated sick leave.

Property Taxes

Property taxes are levied on October 1, and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1, and attach as an enforceable lien on property after one year of delinquency.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable and taxes receivable is provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2014, were as follows:

Governmental funds	\$ 2,000
Proprietary fund	2,000

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2014 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 325	\$ 0	\$ 325
Bank deposits (checking and savings accounts)	1,234,376	1,195,270	2,429,646
Certificates of deposit	<u>59,218</u>	<u>50,008</u>	<u>109,226</u>
Total	<u>\$ 1,293,919</u>	<u>\$ 1,245,278</u>	<u>\$ 2,539,197</u>

State of Tennessee law authorizes the Town to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchases agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2014 were entirely insured through the Federal Deposit Insurance Corporation, the State of Tennessee Bank Collateral Pool, or collateralized with securities held by the Town's agent in the Town's name.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2014 are summarized as follows:

<u>Due To</u>	<u>General Fund</u>	<u>Due From Water and Sewer Fund</u>	<u>Totals</u>
Governmental Activities:			
General fund	\$ 0	\$ 307,015	\$ 307,015
State street aid fund	<u>8,282</u>	<u>0</u>	<u>8,282</u>
Totals	<u>\$ 8,282</u>	<u>\$ 307,015</u>	<u>\$ 315,297</u>

Charges to customers for services provided by the general fund are billed and collected by the water and sewer fund. Periodically, the water and sewer fund pays the general fund for their share of customer billings. Additionally, during the year, some expenditures were paid by the general fund on behalf of the water and sewer fund. The amount owed the state street aid fund by the general fund represent state shared revenue for street improvements.

NOTE E - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation and general liability coverage, destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE F - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/14</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$ 232,700	\$ 0	\$ 0	\$ 232,700
<u>Capital assets being depreciated</u>				
Operating equipment	272,127	7,614	0	279,741
Office equipment	21,052	0	0	21,052
Vehicles	719,444	21,430	0	740,873
Infrastructure	0	284,531	0	284,531
Buildings and improvements	<u>1,154,512</u>	<u>0</u>	<u>0</u>	<u>1,154,512</u>
	2,167,135	313,574	0	2,480,709
<u>Accumulated depreciation</u>				
Operating equipment	(194,185)	(20,929)	0	(215,114)
Office equipment	(9,951)	(2,362)	0	(12,313)
Vehicles	(320,954)	(41,672)	0	(362,626)
Infrastructure	0	(3,648)	0	(3,648)
Buildings and improvements	<u>(230,994)</u>	<u>(42,086)</u>	<u>0</u>	<u>(273,080)</u>
	<u>(756,084)</u>	<u>(110,697)</u>	<u>0</u>	<u>(886,781)</u>
	<u>\$ 1,643,751</u>	<u>\$ 202,877</u>	<u>\$ 0</u>	<u>\$ 1,846,627</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 12,264
Public safety	26,849
Public welfare	36,288
Streets and highways	29,411
Solid waste management	<u>5,885</u>
	<u>\$ 110,697</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/14</u>
Business-Type Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 41,049	\$ 0	\$ 0	\$ 41,049
Construction in process	<u>87,117</u>	<u>0</u>	<u>(87,117)</u>	<u>0</u>
	128,166	0	(87,117)	41,049
<u>Capital assets being depreciated</u>				
Office equipment	19,659	0	0	19,659
Operating equipment	111,664	0	0	111,664
Utility plant	<u>13,771,077</u>	<u>1,668,422</u>	<u>0</u>	<u>15,439,499</u>
	13,902,400	1,668,422	0	15,570,822
<u>Accumulated depreciation</u>				
Office equipment	(19,658)	0	0	(19,658)
Operating equipment	(71,961)	(4,223)	0	(76,184)
Utility plant	<u>(4,508,414)</u>	<u>(363,745)</u>	<u>0</u>	<u>(4,872,158)</u>
	<u>(4,600,034)</u>	<u>(367,967)</u>	<u>0</u>	<u>(4,968,001)</u>
	<u>\$ 9,430,532</u>	<u>\$ 1,300,455</u>	<u>\$ (87,117)</u>	<u>\$ 10,643,870</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE G - PENSION PLAN

Plan Description

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service.

Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Town requires employees to contribute 5.0% of earnable compensation. The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014 was 8.98% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Annual Pension Cost

For the year ending June 30, 2014, the Town's annual pension cost of \$77,878 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Town's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 77,878	100.00%	\$ 0
June 30, 2013	75,471	100.00	0
June 30, 2012	79,281	100.00	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.40% funded. The actuarial accrued liability (AAL) for benefits was \$2.06 million, and the actuarial value of assets was \$1.84 million, resulting in a UAAL of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.67 million, and the ratio of the UAAL to the covered payroll was 32.28%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

	7/1/13	7/1/11	7/1/09
Actuarial valuation date			
Actuarial value of assets	\$ 1,837,000	\$ 1,564,000	\$ 1,169,000
Actuarial accrued liability (AAL)	2,055,000	1,627,000	1,333,000
Unfunded AAL (UAAL)	218,000	63,000	164,000
Funded ratio	89.40%	96.14%	87.70%
Covered payroll	675,000	700,000	687,000
UAAL as a percentage of covered payroll	32.28%	8.98%	23.88%

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2014 consisted of the following:

Governmental Activities:

General obligation bond, Series 2013, interest rate of 3.1% maturing serially in numerical sequence on December 1 of each year through 2030, including issue premium of \$9,472	\$ 679,472
Less current maturities	<u>(50,000)</u>
	<u>\$ 629,472</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Business-Type Activities:

General obligation bond, Series 2013, interest rate of 3.1% maturing serially in numerical sequence on December 1 of each year through 2033, including issues premium of \$27,317	\$ 2,087,317
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014, payable in monthly installments of \$2,195 until maturity in 2054	634,276
Water and Sewer Revenue and Tax Bonds, Series 2008, payable in 456 monthly installments of \$1,759, including interest at 4.38% until maturity in 2046	364,207
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2006, payable in monthly installments of \$9,505, including interest at 4.125% until maturity in 2046	<u>2,011,657</u>
	5,097,457
Less current maturities	<u>(166,023)</u>
	<u>\$ 4,931,434</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Maturities of long-term debt as of June 30, 2014 are as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 50,000	\$ 18,503	\$ 68,503
2016	50,000	17,503	67,503
2017	50,000	16,503	66,503
2018	55,000	15,503	70,503
2019	55,000	14,403	69,403
2020	55,000	13,165	68,165
2021	55,000	11,900	66,900
2022	55,000	10,388	65,388
2023	60,000	8,738	68,738
2024	50,000	6,863	56,863
2025	20,000	5,175	25,175
2026	20,000	4,500	24,500
2027	20,000	3,750	23,750
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	<u>25,000</u>	<u>1,000</u>	<u>26,000</u>
	<u>\$ 670,000</u>	<u>\$ 152,890</u>	<u>\$ 822,890</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 166,023	\$ 179,271	\$ 345,293
2016	167,796	175,097	342,893
2017	169,737	170,756	340,493
2018	171,709	166,384	338,093
2019	173,761	161,932	335,693
2020	175,852	157,141	332,993
2021	157,596	152,637	310,233
2022	160,426	147,057	307,483

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Business-Type Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	162,832	141,651	304,483
2024	165,294	136,064	301,358
2025	167,938	130,044	297,983
2026	170,648	123,960	294,608
2027	173,468	117,390	290,858
2028	175,574	111,534	287,108
2029	183,726	104,382	288,108
2030	187,637	96,271	283,908
2031	195,946	88,762	284,708
2032	199,357	80,951	280,308
2033	202,973	72,935	275,908
2034	96,703	64,805	161,508
2035	100,587	60,921	161,508
2036	103,600	57,908	161,508
2037	108,834	52,674	161,508
2038	113,213	48,295	161,508
2039	117,772	43,736	161,508
2040	122,493	39,015	161,508
2041	127,454	34,054	161,508
2042	132,596	28,912	161,508
2043	137,949	23,559	161,508
2044	143,504	18,004	161,508
2045	149,322	12,186	161,508
2046	107,782	6,485	114,266
2047	21,650	4,690	26,340
2048	22,243	4,097	26,340
2049	22,874	3,466	26,340
2050	23,513	2,828	26,340
2051	24,167	2,173	26,340
2052	24,837	1,503	26,340
2053	25,533	807	26,340
2054	15,225	140	15,365
	<u>\$ 5,070,140</u>	<u>\$ 3,024,477</u>	<u>\$ 8,094,617</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/14</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Note payable	\$ 463,544	\$ 0	\$ 463,544	\$ 0	\$ 0
General obligation bond	<u>0</u>	<u>715,000</u>	<u>45,000</u>	<u>670,000</u>	<u>50,000</u>
	<u>\$ 463,544</u>	<u>\$ 715,000</u>	<u>\$ 508,544</u>	<u>\$ 670,000</u>	<u>\$ 50,000</u>
<u>Business-Type Activities:</u>					
Revenue and tax bonds	\$ 1,034,739	\$ 0	\$ 1,034,739	\$ 0	\$ 0
Capital outlay note	23,000	0	23,000	0	0
Capital outlay note	59,547	0	59,547	0	0
State of Tennessee, SRF 92-050	77,639	0	77,639	0	0
State of Tennessee, SRF 93-058	207,181	0	207,181	0	0
Revenue and tax bonds	369,461	0	5,154	364,207	5,384
Rural Development Utilities Loan 2006	2,042,033	0	30,376	2,011,657	31,653
Rural Development Utilities Loan 2014	0	638,000	3,724	634,276	8,986
General obligation bond	<u>0</u>	<u>2,165,000</u>	<u>105,000</u>	<u>2,060,000</u>	<u>120,000</u>
	<u>\$ 3,813,600</u>	<u>\$ 2,803,000</u>	<u>\$ 1,546,361</u>	<u>\$ 5,070,140</u>	<u>\$ 166,023</u>

Interest costs incurred for the year ended June 30, 2014 were \$17,591 for governmental activities and \$177,073 for business-type activities, all of which were charged to expense.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE I - JOINT VENTURE

The Town entered into a joint venture agreement with Rhea County, Tennessee as of December 22, 1999 for the purpose of developing an industrial park. The Town and Rhea County, Tennessee have an equal interest in the venture's assets, liabilities, and equity. In March 2000, the joint venture issued capital outlay notes in the amount of \$205,000 and purchased 108.5 acres of land for the industrial park. Assets and liabilities related to the joint venture are included in the financial statements of Rhea County, Tennessee.

NOTE J - COMMITMENTS AND CONTINGENCIES

Sales Tax Payable

The State of Tennessee shares certain tax revenue, including sales tax, with municipalities based on the tax collected within the municipal boundaries. The Town received \$448,125 of state and local option sales tax during the year ended June 30, 2001. Subsequent to that date, the State of Tennessee notified the Town that, due to errors in tax returns filed by a taxpayer during the year, the Town was overpaid and would be required to repay the excess sales tax. A liability, in the amount of \$100,023, is reported in the accompanying financial statements.

Sewer Construction

The Tennessee Department of Environment and Conservation Water Quality Control Board (TDEC) determined that the Town violated the terms of its National Pollution Discharge Elimination System (NPDES) permit by discharging wastewater effluent from its sewer treatment plant. In connection therewith, the TDEC issued an Agreed Order requiring the Town to complete an evaluation of the Town's sewer collection and treatment system and prepare a Corrective Action Plan that details all actions necessary to bring the treatment system into compliance with the NPDES permit. The Agreed Order provided for a civil penalty of \$1,312 to be paid upon receipt of the order, plus additional penalties up to \$72,000 if the provisions of the order are not complied within a timely fashion. The Town's Corrective Action Plan has been approved by TDEC.

NOTE K - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2014, expenditures of the general fund exceeded appropriations by \$731,142 and expenditures of the state street aid fund exceeded appropriations by \$11,271.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRING CITY, TENNESSEE

FUNDING PROGRESS - POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2014

Actuarial valuation date	7/1/13	7/1/11	7/1/09
Actuarial value of plan assets	\$ 1,837,000	\$ 1,564,000	\$ 1,169,000
Actuarial accrued liability (AAL)	2,055,000	1,627,000	1,333,000
Unfunded AAL (UAAL)	218,000	63,000	164,000
Funded ratio	89.40%	96.14%	87.70%
Covered payroll	675,000	700,000	687,000
UAAL as a percentage of covered payroll	32.28%	8.98%	23.88%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SPRING CITY, TENNESSEE

INVESTMENTS

June 30, 2014

	<u>Interest Rate</u>	<u>Amount</u>
<u>General Fund - Certificates of Deposit</u>		
SouthEast Bank & Trust #1110643	1.00%	\$ 14,952
First Bank of Tennessee #18897	0.50	13,500
First Bank of Tennessee #309581	0.45	<u>30,766</u>
		<u>\$ 59,218</u>
<u>Water and Sewer Fund - Certificate of Deposit</u>		
First Bank of Tennessee #100269	0.60	<u>\$ 50,008</u>

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2014

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2013</u>
2014	\$.96	\$ 37,671,906	\$ 361,640	\$ 0
2013	.96	40,538,569	389,153	389,153
2012	.96	35,223,593	338,136	14,035
2011	.96	33,938,701	325,805	5,890
2010	.96	34,293,565	329,211	3,955
2009	1.19	33,898,318	330,550	1,917
2008	1.19	27,752,262	330,251	1,603
2007	1.19	26,763,064	318,474	144
2006	1.19	26,332,567	313,354	141
2005	1.19	26,043,393	309,922	141
2004	1.15	25,876,277	297,601	<u>137</u>
				<u>\$ 417,115</u>

Property taxes unpaid for 2008 through 2012 have been filed with the
Rhea County Chancery Court.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2014</u>
\$ 361,640	\$ 0	\$ 0	\$ 361,640
0	38,148	322,696	28,309
0	0	7,333	6,701
0	0	2,010	3,880
0	0	1,536	2,419
0	0	780	1,137
0	0	1,603	0
0	0	144	0
0	0	141	0
0	0	141	0
<u>0</u>	<u>0</u>	<u>137</u>	<u>0</u>
<u>\$ 361,640</u>	<u>\$ 38,148</u>	<u>\$ 336,521</u>	<u>\$ 404,086</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Bond, Series 2013			
Year ending June 30,			
2015	\$ 50,000	\$ 18,503	\$ 68,503
2016	50,000	17,503	67,503
2017	50,000	16,503	66,503
2018	55,000	15,503	70,503
2019	55,000	14,403	69,403
2020	55,000	13,165	68,165
2021	55,000	11,900	66,900
2022	55,000	10,388	65,388
2023	60,000	8,738	68,738
2024	50,000	6,863	56,863
2025	20,000	5,175	25,175
2026	20,000	4,500	24,500
2027	20,000	3,750	23,750
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	25,000	1,000	26,000
	<u>\$ 670,000</u>	<u>\$ 152,894</u>	<u>\$ 822,894</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Water and Sewer Revenue and Tax Bonds, Series 2006			
Year ending June 30,			
2015	\$ 31,653	\$ 82,407	\$ 114,060
2016	32,983	81,077	114,060
2017	34,370	79,690	114,060
2018	35,815	78,245	114,060
2019	37,321	76,739	114,060
2020	38,889	75,171	114,060
2021	40,524	73,536	114,060
2022	42,228	71,832	114,060
2023	44,003	70,057	114,060
2024	45,853	68,207	114,060
2025	47,781	66,279	114,060
2026	49,789	64,271	114,060
2027	51,882	62,178	114,060
2028	54,063	59,997	114,060
2029	56,336	57,724	114,060
2030	58,704	55,356	114,060
2031	61,172	52,888	114,060
2032	63,744	50,316	114,060
2033	66,424	47,636	114,060
2034	69,216	44,844	114,060
2035	72,126	41,934	114,060
2036	75,158	38,902	114,060
2037	78,317	35,743	114,060
2038	81,610	32,450	114,060
2039	85,041	29,019	114,060

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue and Tax Bonds, Series 2006 (continued)			
2040	88,616	25,444	114,060
2041	92,341	21,719	114,060
2042	96,223	17,837	114,060
2043	100,268	13,792	114,060
2044	104,483	9,577	114,060
2045	108,875	5,185	114,060
2046	<u>65,848</u>	<u>925</u>	<u>66,773</u>
	<u>\$ 2,011,656</u>	<u>\$ 1,590,976</u>	<u>\$ 3,602,633</u>

Water and Sewer Revenue and
Tax Bonds, Series 2008

Year ending June 30,

2015	\$ 5,384	\$ 15,724	\$ 21,108
2016	5,624	15,484	21,108
2017	5,875	15,233	21,108
2018	6,137	14,971	21,108
2019	6,411	14,697	21,108
2020	6,697	14,411	21,108
2021	6,476	14,632	21,108
2022	7,309	13,799	21,108
2023	7,635	13,473	21,108
2024	7,976	13,132	21,108
2025	8,332	12,776	21,108
2026	8,703	12,405	21,108

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue and Tax Bonds, Series 2008 (continued)			
2027	9,092	12,016	21,108
2028	8,705	12,403	21,108
2029	9,190	11,918	21,108
2030	10,365	10,743	21,108
2031	10,827	10,281	21,108
2032	11,311	9,797	21,108
2033	11,816	9,292	21,108
2034	12,343	8,765	21,108
2035	12,894	8,214	21,108
2036	12,469	8,639	21,108
2037	14,071	7,037	21,108
2038	14,699	6,409	21,108
2039	15,355	5,753	21,108
2040	16,040	5,068	21,108
2041	16,756	4,352	21,108
2042	17,504	3,604	21,108
2043	18,286	2,822	21,108
2044	19,102	2,006	21,108
2045	19,955	1,153	21,108
2046	20,970	283	21,253
	<u>\$ 364,307</u>	<u>\$ 311,292</u>	<u>\$ 675,601</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2013			
Year ending June 30,			
2015	\$ 120,000	\$ 63,785	\$ 183,785
2016	120,000	61,385	181,385
2017	120,000	58,985	178,985
2018	120,000	56,585	176,585
2019	120,000	54,185	174,185
2020	120,000	51,485	171,485
2021	100,000	48,725	148,725
2022	100,000	45,975	145,975
2023	100,000	42,975	142,975
2024	100,000	39,850	139,850
2025	100,000	36,475	136,475
2026	100,000	33,100	133,100
2027	100,000	29,350	129,350
2028	100,000	25,600	125,600
2029	105,000	21,600	126,600
2030	105,000	17,400	122,400
2031	110,000	13,200	123,200
2032	110,000	8,800	118,800
2033	110,000	4,400	114,400
	<u>\$ 2,060,000</u>	<u>\$ 713,860</u>	<u>\$ 2,773,860</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014			
Year ending June 30,			
2015	\$ 8,986	\$ 17,354	\$ 26,340
2016	9,189	17,151	26,340
2017	9,492	16,848	26,340
2018	9,757	16,583	26,340
2019	10,029	16,311	26,340
2020	10,265	16,075	26,340
2021	10,595	15,745	26,340
2022	10,890	15,450	26,340
2023	11,194	15,146	26,340
2024	11,465	14,875	26,340
2025	11,826	14,514	26,340
2026	12,155	14,185	26,340
2027	12,494	13,846	26,340
2028	12,806	13,534	26,340
2029	13,200	13,140	26,340
2030	13,568	12,772	26,340
2031	13,946	12,394	26,340
2032	14,302	12,038	26,340
2033	14,734	11,606	26,340
2034	15,144	11,196	26,340
2035	15,567	10,773	26,340
2036	15,973	10,367	26,340
2037	16,446	9,894	26,340

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014 (continued)			
2038	16,904	9,436	26,340
2039	17,376	8,964	26,340
2040	17,837	8,503	26,340
2041	18,357	7,983	26,340
2042	18,869	7,471	26,340
2043	19,395	6,945	26,340
2044	19,919	6,421	26,340
2045	20,492	5,848	26,340
2046	21,063	5,277	26,340
2047	21,650	4,690	26,340
2048	22,243	4,097	26,340
2049	22,874	3,466	26,340
2050	23,512	2,828	26,340
2051	24,167	2,173	26,340
2052	24,837	1,503	26,340
2053	25,533	807	26,340
2054	15,225	140	15,365
	<u>\$ 634,276</u>	<u>\$ 408,349</u>	<u>\$ 1,042,625</u>

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Transportation/ Tennessee Department of Transportation	20.604	Z-14-GHS-324	\$ 4,722
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development Rhea County, Tennessee	14.228	GG-13-33684	250,665
U.S. Department of Agriculture/ Rural Development	10.760	N/A	<u>929,400</u>
			<u>\$ 1,184,788</u>

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of State, Local Governments, and Non-Profit Organizations." Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2014

WATER

Utility Rates

Inside Town limits:

First 2,000 gallons (minimum billing)	\$ 19.70
Over 2,000 gallons (per thousand)	7.37

Outside Town limits:

First 2,000 gallons (minimum billing)	26.74
Over 2,000 gallons (per thousand)	9.35

Wholesale

Per 1,000 gallons	2.00
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Sprinkler rates:

First 2,000 gallons (minimum billing)	33.41
Over 2,000 gallons (per thousand)	7.37

SEWER

Inside Town limits:

First 3,000 gallons (minimum billing)	\$ 33.42
Over 3,000 gallons (per thousand)	6.29

Outside Town limits:

First 3,000 gallons (minimum billing)	38.99
Over 3,000 gallons (per thousand)	5.02

TOWN OF SPRING CITY, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2014

SOLID WASTE

Inside Town limits:

Residential	\$ 12.60
Commercial	37.20

(Additional pick ups will be \$12.00 per receptacle per pick up)

Outside Town limits:

Residential	18.00
Commercial	48.00

(Additional pick ups will be \$12.00 per receptacle per pick up)

METERED CUSTOMERS

Water	1,034
Solid Waste	896
Sewer	807

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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? Click to access definition
+ Click to add a comment

Water Audit Report for: **TOWN OF SPRING CITY**

Reporting Year: **2013-2014** **7/2013 - 6/2014**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

----- Enter grading in column 'E' and 'J' ----->

WATER SUPPLIED

Volume from own sources: 5 123.551 MG/Yr
Water imported: n/a MG/Yr
Water exported: n/a MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: n/a Value: MG/Yr
 MG/Yr
 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **123.551** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 7 59.574 MG/Yr
Billed unmetered: n/a MG/Yr
Unbilled metered: 10 12.223 MG/Yr
Unbilled unmetered: 1.544 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **73.341** MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: 1.25% Value: MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

Pcnt: 0.25% Value: MG/Yr

MG/Yr
 0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

50.210 MG/Yr

Apparent Losses

Unauthorized consumption: 0.309 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 5 0.000 MG/Yr
Systematic data handling errors: 0.149 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **0.458** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **49.752** MG/Yr

WATER LOSSES: **50.210** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **63.977** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 5 50.0 miles
Number of active AND inactive service connections: 8 1,050
Service connection density: 21 conn./mile main

Are customer meters typically located at the curbstop or property line? No (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line: 1 30.0 ft

Average operating pressure: 5 60.0 psi

COST DATA

Total annual cost of operating water system: 10 \$694,785 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$9.85 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$112.27 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 67 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Customer metering inaccuracies

3: Billed metered



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
Copyright © 2014. All Rights Reserved.Water Audit Report for: **TOWN OF SPRING CITY**Reporting Year: **2013-2014** **7/2013 - 6/2014******* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 67 out of 100 *******System Attributes:**

Apparent Losses:	0.458	MG/Yr
+ Real Losses:	49.752	MG/Yr
= Water Losses:	50.210	MG/Yr

? Unavoidable Annual Real Losses (UARL): **See limits in definition** MG/YrAnnual cost of Apparent Losses: **\$4,509**Annual cost of Real Losses: **\$5,586** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied:	51.8%	
Non-revenue water as percent by cost of operating system:	1.7%	Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day:	1.19	gallons/connection/day
Real Losses per service connection per day:	N/A	gallons/connection/day
Real Losses per length of main per day*:	2,726.13	gallons/mile/day
Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **49.75** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

TOWN OF SPRING CITY, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2014

Billy Ray Patton, Mayor
Reba Murphy, Vice Mayor
Max Douglas, Commissioner
Jody Bauer, Commissioner
Brad Collins, Commissioner
Missie Lytle, City Recorder
Stephania Motes, City Manager

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Board of Commissioners
Town of Spring City, Tennessee
Spring City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Spring City, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Spring City, Tennessee's basic financial statements and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Spring City, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Spring City, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Spring City, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Spring City, Tennessee's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Spring City, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-002.

We noted certain matters that we reported to management of Town of Spring City, Tennessee, in a separate letter dated March 23, 2015.

Town of Spring City, Tennessee's Responses to Findings

Town of Spring City, Tennessee's responses to the findings identified in our audit are described in the accompanying corrective action plan. Town of Spring City, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Spring City, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

March 23, 2015

TOWN OF NEW TAZEWell, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2013-001	Financial Oversight	Repeated
2013-002	Budget	Repeated

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and Board of Commissioners
Town of Spring City, Tennessee
Spring City, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Town of Spring City, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Spring City, Tennessee's major federal programs for the year ended June 30, 2014. Town of Spring City, Tennessee's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Spring City, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Spring City, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Spring City, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion Town of Spring City, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Town of Spring City, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Spring City, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular-A133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Spring City, Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we considered to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mitchell Emert + Hill

March 23, 2015

TOWN OF SPRING CITY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unqualified opinion on the financial statements of Town of Spring City, Tennessee.
2. A significant deficiency in internal control over financial reporting was disclosed and is considered to be a material weakness.
3. An instance of noncompliance material to the financial statements was disclosed.
4. A significant deficiency in internal control over major federal programs were disclosed and is considered to be a material weakness.
5. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 expresses an unqualified opinion on Town of Spring City, Tennessee's compliance with laws, regulations, contracts, and grant agreements applicable to its federal programs.
6. A finding or questioned cost was disclosed which is required to be reported in accordance with OMB Circular A-133.
7. The following program was tested as a major program:

<u>Program Name</u>	<u>CFDA No.</u>
Water & Wastewater Disposal Systems for Rural Communities	10.760

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Town of Spring City, Tennessee was determined not to be a low-risk auditee.

TOWN OF SPRING CITY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

(continued)

Year Ended June 30, 2014

FINANCIAL STATEMENT FINDINGS

2013-001: Financial Oversight (*uncorrected from prior year*)

Finding

Management does not have sufficient internal control over its financial reporting process. There are inadequate controls in place to ensure that the financial statements are prepared in accordance with generally accepted accounting principals. During the year, there were numerous material errors in recording transactions, indicating a lack of management oversight during the year. Bank reconciliations were not prepared for all bank accounts. Journal entries were not approved by anyone other than the preparer. Inter-fund balances did not reconcile between funds. The auditors identified a double payment to a contractor in the amount of \$59,637 which was not previously noted by management and which has not been returned by the contractor.

Recommendation

The Board of Commissioners should establish review procedures for financial reporting and assign a knowledgeable person the responsibility of such review. If needed, the Board of Commissioners should consider the cost and benefit of adding an additional staff member or outside professional to assist them with the process. The financial activities should be reviewed by management and the Board of Commissioners on a regular basis and supporting documentation should be reviewed before signing checks in order to provide adequate oversight of the financial activities of Town of Spring City, Tennessee.

Management Response

We concur. Prior to June 2012, no bank reconciliations had been done by the interim part-time City Recorder due to only focusing on building the FY 2012-13 budget, payroll, and vendor check processing. All other duties were left undone. Needless to say, this created a backlog. When the interim was replaced by a full-time City Recorder in June 2012 reconciliations were focused on in addition to doing the other necessary functions of the job. During the first half of 2013, there was transition in the City Manager position and the City Recorder was doing their duties as well as City Manager duties. When a new City Recorder was hired in July 2013, she worked with an MTAS representative to get the reconciliations caught up for the FY 2013-14 budget year as well as work on her certification toward becoming a Certified Municipal Finance Officer (CMFO).

TOWN OF SPRING CITY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

(continued)

Year Ended June 30, 2014

To date, the bank reconciliations are current with exception of four accounts due to waiting for the official audit adjustments from the FY 2013-14 audit so that there will be accurate information in the system to start from. As of January 2015, we are providing our Board of Commissioners with monthly financial reports. We will continue to provide these on a monthly basis.

Due to limited staff, journal entries are currently not approved prior to posting. However, the City Recorder is working with MTAS as well as obtaining her CMFO designation to help in all areas of General Ledger including journal entries. In addition, if there are any questions, they are brought up the chain of command for more explanation and to answer questions prior to posting on an individual basis.

There were inter-fund balances due to loan monies that were received for projects on August 1, 2013 and were spent during that fiscal year for paving that were not recorded as needed between two separate funds. The monies as well as the projects were approved by the Board of Commissioners prior to receiving the monies. These are not routine expenditures and in the future will be addressed differently for reporting purposes as instructed by auditors.

The double payment was done in error and a number of procedures are being put into place to prevent this from happening in the future, such as a specific naming convention on items that are paid without having an invoice number, which was the case in this situation. We are in the process of working with the contractor to get reimbursed. In addition, since the last fiscal audit (2012-13), the Board of Commissioners are reviewing and initialing all invoices for any vendor checks that are generated. Also, financials and reconciliations are being done now on a timelier basis.

2013-002: Budget (*uncorrected from prior year*)

Finding

Expenditures exceeded legally adopted appropriations in the general fund by \$731,143 and in the state street aid fund by \$11,271.

Recommendation

Budgets should be monitored on an ongoing basis to ensure that there are available appropriations prior to making expenditures. If appropriations are insufficient, the Board of Commissioners should determine if budget amendments are appropriate.

TOWN OF SPRING CITY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

(continued)

Year Ended June 30, 2014

Management Response

We concur. Due to Cumberland Securities coordinating the debt payoff and additional loan monies, debt payoffs were not included in the budget amendment as needed because monies did not flow through City Hall. In addition, monies that were spent on the paving project were not included as they needed to as well. The payoff monies, as well as the projects, were approved by the Board of Commissioners prior to receiving the monies or paying for the paving project. These are not routine expenditures and in the future will be addressed accordingly as instructed by auditors.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-001: Financial Oversight

Finding

Management does not have sufficient internal control over its financial reporting process. There are inadequate controls in place to ensure compliance with the type of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*. During the year, there were numerous material errors in recording transactions, indicating a lack of management oversight during the year. Auditors identified a double payment to a contractor in the amount of \$59,637 which was not previously noted by management and which has not been returned by the contractor. The double payment was to the contractor used for the Rural Development waterline improvement project. Federal funds were not received for the double payment; therefore, this is not considered a questioned cost.

Recommendation

The Board of Commissioners should establish review procedures for financial reporting and assign a knowledgeable person the responsibility of such review. If needed, the Board of Commissioners should consider the cost and benefit of adding an additional staff member or outside professional to assist them with the process. The financial activities should be reviewed by management and the Board of Commissioners on a regular basis and supporting documentation should be reviewed before signing checks in order to provide adequate oversight of the financial activities of Town of Spring City, Tennessee. Expenditures related to federal grant projects should be reviewed to ensure payments are made for allowable costs and activities and in compliance with all applicable compliance requirements.

TOWN OF SPRING CITY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

(continued)

Year Ended June 30, 2014

Management Response

We concur. The City Recorder is developing a better system in order to not only review requests for payment from grant money agencies, but also to have an internal process to keep track of what has been requested, been paid, and any other correspondence concerning grant and/or Rural Development monies. We will also include compliance requirements as described in the OMB Circular A-133 Compliance Supplement.

Town of Spring City
P.O. BOX 369 SPRING CITY, TENNESSEE 37831
PHONE (423) 365-6441 FAX (423) 365-6002

CORRECTIVE ACTION PLAN

Town of Spring City, Tennessee respectfully submits the following corrective action plan for this year ended June 30, 2014. The findings from June 30, 2014 schedule of findings and questioned costs are discussed below.

2013-001: Financial Oversight *(uncorrected from prior year)*

Recommendation

The Board of Commissioners should establish review procedures for financial reporting and assign a knowledgeable person the responsibility of such review. If needed, the Board of Commissioners should consider the cost and benefit of adding an additional staff member or outside professional to assist them with the process. The financial activities should be reviewed by management and the Board of Commissioners on a regular basis, supporting documentation should be reviewed before signing checks, and controls should be in place to ensure employees are unable to override the system and allow double payment of invoice in order to provide adequate oversight of the financial activities of Town of Spring City, Tennessee.

Action Taken

We concur. Prior to June 2012, no bank reconciliations had been done by the interim part-time City Recorder due to only focusing on building the FY 2012-13 budget, payroll, and vendor check processing. All other duties were left undone. Needless to say, this created a backlog. When the interim was replaced by a full-time City Recorder in June 2012 reconciliations were focused on in addition to doing the other necessary functions of the job. During the first half of 2013, there was transition in the City Manager position and the City Recorder was doing their duties as well as City Manager duties. When a new City Recorder was hired in July 2013, she worked with an MTAS representative to get the reconciliations caught up for the FY 2013-14 budget year as well as work on her certification toward becoming a Certified Municipal Finance Officer (CMFO). To date, the bank reconciliations are current with exception of four accounts due to waiting for the official audit adjustments from the FY 2013-14 audit so that there will be accurate information in the system to start from. As of January 2015, we are providing our Board of Commissioners with monthly financial reports. We will continue to provide these on a monthly basis.

Due to limited staff, journal entries are currently not approved prior to posting. However, the City Recorder is working with MTAS as well as obtaining her CMFO designation to help in all areas of General Ledger including journal entries. In addition, if there are any questions, they are brought up the chain of command for more explanation and to answer questions prior to posting on an individual basis.

There were inter-fund balances due to loan monies that were received for projects on August 1, 2013 and were spent during that fiscal year for paving that were not recorded as needed between two separate funds. The monies as well as the projects were approved by the Board of Commissioners prior to receiving the monies. These are not routine expenditures and in the future will be addressed differently for reporting purposes as instructed by auditors.

The double payment was done in error and a number of procedures are being put into place to prevent this from happening in the future, such as a specific naming convention on items that are paid without having an invoice number, which was the case in this situation. We are in the process of working with the contractor to get reimbursed. In addition, since the last fiscal audit (2012-13), the Board of Commissioners are reviewing and initialing all invoices for any vendor checks that are generated. Also, financials and reconciliations are being done now on a timelier basis.

2013-002: Budget (*uncorrected from prior year*)

Recommendation

Budgets should be monitored on an ongoing basis to ensure that there are available appropriations prior to making expenditures. If appropriations are insufficient, the Board of Commissioners should determine if budget amendments are appropriate.

Action Taken

We concur. Due to Cumberland Securities coordinating the debt payoff and additional loan monies, debt payoffs were not included in the budget amendment as needed because monies did not flow through City Hall. In addition, monies that were spent on the paving project were not included as they needed to as well. The payoff monies, as well as the projects, were approved by the Board of Commissioners prior to receiving the monies or paying for the paving project. These are not routine expenditures and in the future will be addressed accordingly as instructed by auditors.

2014-001: Financial Oversight

Recommendation

The Board of Commissioners should establish review procedures for financial reporting and assign a knowledgeable person the responsibility of such review. If needed, the Board of Commissioners should consider the cost and benefit of adding an additional staff member or outside professional to assist them with the process. The financial activities should be reviewed by management and the Board of Commissioners on a regular basis and supporting documentation should be reviewed before signing checks in order to provide adequate oversight of the financial activities of Town of Spring City, Tennessee. Expenditures related to federal grant projects should be reviewed to ensure payments are made for allowable costs and activities and in compliance with all applicable compliance requirements.

Action Taken

We concur. The City Recorder is developing a better system in order to not only review requests for payment from grant money agencies, but also to have an internal process to keep track of what has been requested, been paid, and any other correspondence concerning grant and/or Rural Development monies. We will also include compliance requirements as described in the OMB Circular A-133 Compliance Supplement.

Any questions regarding this corrective action plan should be directed to Stephania Motes, City Manager, 423-365-6441.